

SAN MATEO

**LOCAL AGENCY FORMATION COMMISSION**

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**March 12, 2014**

**To:** LAFCo Commissioners  
**From:** Martha Poyatos, Executive Officer  
**Subject:** Draft-Proposed 2014-15 LAFCo Budget

Budget Review Schedule and Background

Section 56381 of the Cortese-Knox-Hertzberg (CKH) Act, which covers adoption of the LAFCo budget, requires Commission consideration of both a proposed and final budget at the following intervals:

1. By May 1, the Commission shall adopt a “proposed” net operating budget at a noticed public hearing.
2. By June 15, the Commission shall adopt a “final” net operating budget at a noticed public hearing following circulation of the recommended final budget to the County, all cities, and all independent special districts.

The Act also provides that the Proposed and Adopted budget shall be equal to the budget adopted for the previous fiscal year unless the Commission finds that reduced staffing or program costs will nevertheless allow the Commission to fulfill the purposes and programs of the Act. There is also a provision for carryover of unused funds to the subsequent year’s budget and the Act requires that the LAFCo net operating budget be apportioned in thirds to the County, the cities, and independent special districts<sup>1</sup>. Also, because the Proposed and Adopted Budget are adopted before the end of the fiscal year and include an estimate of fund balance carryover, once the current fiscal year closes and the actual fund balance carryover is determined, the Commission must consider revisions to the budget to reflect application of the actual fund balance carryover.

The Commission’s budget is based on costs associated with LAFCo’s contract with the County of San Mateo for staffing, offices, supplies, and legal counsel. The attached draft

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<sup>1</sup> Apportionment of the one-third shares to individual cities and special districts is calculated by the County Controller based on a proportionate share of revenues reported in the most recent edition of the State Controller’s reports on cities and special districts. These reports are not yet available. For estimation purposes, agencies can use the apportionment share calculated by the County Controller for Fiscal Year 2013-14.

The Commission's budget is based on costs associated with LAFCo's contract with the County of San Mateo for staffing, offices, supplies, and legal counsel. The attached draft proposed budget includes the 2011-12, 2012-13, and 2013-14 budget information and the draft proposed 2014-15 Fiscal Year budget. Past budgets reflect the salary freeze implemented in 2008, increases in benefits costs. Key fluctuations include primarily fund balance, secretarial support costs, consulting services, and County Counsel charges. This fiscal year, the Commission approved an appropriation of \$50,000 for consultant-prepared Municipal Service Reviews (MSRs). Also, at mid-year, the Commission approved hiring a half-time executive secretary, which had no net impact on the current year Adopted Budget because funds could be transferred from Secretarial Support and County Counsel to fund the position for the half year.

The draft proposed 2014-15 Fiscal Year budget includes a full year of the half-time secretarial position and \$50,000 for consultant-prepared reports. The Budget Committee supported these additions.

#### Estimated Actual 2013-14 Budget

The 2013-14 Revised Budget includes appropriations for the Executive Officer position, Commission meetings, County Counsel, general operating expenditures including rent, supplies, travel and meetings, an administrative secretary position shared with the County Parks Department for a portion of the year, and a half-time Executive Secretary beginning in January. Expenditures are less than budgeted primarily due to savings in County Counsel charges and unspent reserves. Revenues include fund balance carryover, application fees (estimated to come in as projected), and intergovernmental revenue from the County, cities, and special districts.

It is estimated that actual expenditures will be \$56,000 less than adopted due to the savings cited above.

Fund balance carryover is the difference between revenues and actual expenditures and is carried over each year as a one-time revenue. Based on estimated revenues and expenditures, the estimated fund balance carryover that can be applied to the 2014-15 Fiscal Year budget is \$55,802.

#### 2014-15 Budget Issues

While the CKH Act sets a deadline for adoption of a budget by July 1<sup>st</sup>, LAFCo prepares the budget earlier in the fiscal year than does the County of San Mateo so that funding agencies can include the mandated apportionment for LAFCo in their budget development. For this reason, please note that some charges for 2014-15 are not yet available and it is necessary to estimate current year actual expenditures. Some appropriations may therefore need adjustment prior to Commission consideration of a final budget. Also, the draft budget includes an estimate of insurance (\$4,229) through

the California Special Districts Association (CSDA) and a more exact number will be included when the CSDA provides the quote for the upcoming year.

Meetings and Conferences (Account 5721) is \$2,000 greater than the current year due to the Annual CALAFCO Conference venue in Ontario, CA and budgeting for staff to attend the staff conference to be held in a not-yet-determined Northern California location.

The Proposed Draft 2014-15 Fiscal Year Budget as presented is approximately \$11,197 greater than the Adopted 2013-14 budget. This difference is in spite of adding the Executive Secretary position and possible because in the 2013-14 Fiscal Year, the Commission increased one-time reserve by excess fund balance for a total of \$38,449 and the proposed one-time reserve for the 2014-15 fiscal year is reduced to \$10,000. Also, the net increase in secretarial services is \$26,000 by adding the half-time secretary at \$52,000 and eliminating secretarial support of \$25,000. The Committee also supported including \$50,000 for consulting to ensure that first-round MSRs are completed and to provide for special studies if needed.

These changes continue to reflect the Commission's practice of minimizing impacts to funding agencies and operating with a staff of less than two full-time positions.

However, the draft net operating budget (appropriations less application revenues and fund balance) is \$338,169, or \$42,260 higher than last year due primarily to a smaller fund balance carryover. Fiscal impact to the three funding groups consisting of the county, 20 cities, and 22 special districts is a one-third share of \$112,723, or an increase of \$14,087 over 2013-14. the one-third share would be apportioned to the 20 cities based on proportional revenues and the Districts' shares would be apportioned to the 22 independent special districts based on proportional revenues.

#### Application of Fund Balance

Estimated fund balance (\$55,802) is applied as one-time revenue and fluctuates each year based on actual expenditures and revenues.

#### Recommendation

Consider and approve by resolution the attached Proposed Draft Budget of \$423,971, which reflects an increase in total appropriations of \$11,197. As presented, the budget funds a dedicated half-time secretarial position, includes \$50,000 in consulting, a 3 percent reserve, and a one-time reserve of \$10,000.

Attachments: Budget Narrative and Spreadsheet

Distribution: County of San Mateo, Cities, Independent Special Districts

### **LAFCO PROPOSED 2014-15 BUDGET NARRATIVE**

The following provides a narrative to the attached budget spreadsheet and reflects costs associated with LAFCo's contract with the County of San Mateo for staffing, office space, supplies and legal counsel.

#### **Salary & Benefits (4111 through 4161)**

Salary and benefits of \$205,258 includes the County position of Principal Management Analyst that serves as Executive Officer by contract with the County, 0.5 FTE Executive Secretary salary and benefits, Executive Officer administrative leave cash out, Commissioner stipend of \$100 per bi-monthly meeting, and County Annuity. County salaries were frozen from 2008 to November 2013. Salary and benefits increases reflect an increase in both health and retirement costs. Annuity represents the amount of the County offset of management position retirement contributions.

#### **Services & Supplies**

##### Outside Printing (5191)

Appropriation of \$1,000 for copying and printing by outside print shops for special community mailings of MSRs that cannot be distributed electronically.

##### General Office Supplies (5193)

A flat appropriation of \$500 for incidental office supplies provided to LAFCo.

##### Photocopy (5196)

A flat appropriation of \$500 for incidental copies made from the Planning Department copier where the LAFCo office is located.

##### Postage & Mailing (5197)

Appropriation of \$1,500 for postage/ mailing service through the County mailroom.

##### Records Storage (5218)

Appropriation of \$200 for offsite records storage.

##### Memberships (5331)

Estimated CALAFCo dues of \$6,188 and estimated California Special Districts Association dues of \$846.

Legal Advertising (5341)

Appropriation of \$1,500 for legal notices published in newspapers for LAFCo hearing items that require notice.

Mileage Allowance (5712)

Appropriation of \$250 for mileage reimbursement for staff attendance at off-site meetings or site visits.

Meetings & Conferences (5721)

Appropriation of \$8,000 for Commission and staff attendance and travel related to CALAFCO Annual Workshop and Staff Workshop based on the venue for each event (four Commissioners and Executive Officer, to attend the Annual Conference in Ontario, CA, and staff attendance at the CALAFCO staff workshop in a not-yet-determined location in Northern California).

Training (5733)

Appropriation of \$250 for educational classes, workshops, or training related to LAFCo or CEQA.

Fiscal Office Specialist (5810)

Appropriation of \$988 for a County Fiscal Office Specialist to process LAFCo accounts receivable, accounts payable, and payroll.

Graphics/GIS (5848)

Appropriation of \$4,500 for GIS and other mapping services for LAFCo studies and sphere updates.

Consulting (5856)

Appropriation of \$50,000 for consultant-prepared MSRs and sphere updates or special studies.

Admin Assistant Shared with Parks (5962)

Discontinued mid-year.

GIS (5861)

Appropriation of \$2,500 for special work completed by ISD/Public Works GIS mapping related to LAFCo applications or studies.

Controller (5872)

Estimated Cost of \$2,440 for administering the apportionment and collection of LAFCo budget to county, cities, and special districts.

Telephone (6712)

Telephone charges of \$670 for Executive Officer phone line.

Other Information Services Department Services (6713)

Charges of \$4,650 for Internet access, technical support, and website maintenance, including posting of notices, agenda materials, and studies.

Rent (6714)

Rent charges of \$2,703.

General Liability & Bond Insurance (6725)

Estimated Appropriation of \$4,229 for insurance through CSDA and employee bond insurance with County of San Mateo.

County Counsel (6732)

Appropriation of \$30,000 for County Counsel charges.

A-87 Charges (6821)

Indirect charges such as Human Resources, County Manager, etc. A-87 charges for 2013-14 are \$4,135.

Reserve (8612)

Amount of \$12,057 in reserve for unanticipated expenditures, historically set at 3% of gross appropriations. Commission authorization is required to spend reserve.

One-time Reserve

Amount of \$10,000 appropriated in addition to 3% reserve at Commission discretion. Commission authorization is required to spend reserve.

Draft Proposed 2014-15 LAFCo Budget

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	<b>LAFCo Budget - Draft Proposed 14-15</b>	<b>Final</b>	<b>Adopted</b>	<b>sept.</b>	<b>MidYear</b>	<b>Estimated</b>	<b>Draft</b>
	<b>Prepared 3/12/14</b>	<b>Actual</b>	<b>Sept. Rev.</b>	<b>Revise</b>	<b>Revise</b>	<b>Actual</b>	<b>Proposed</b>
		<b>2011-12</b>	<b>2012-13</b>	<b>2013-14</b>	<b>2013-14</b>	<b>2013-14</b>	<b>2014-15</b>
4111	Salary & Benefits Executive Officer	197,883	194,265	196,912	196,912	196,912	205,258
4111	Salary & Benefits Executive Secretary				26,000	26,000	52,000
4141	Admin. Leave Cash Out (E.O.)	4,927	4,900	4,900	4,900	5,300	5,300
4161	Commissioner Compensation	4,500	4,800	4,800	4,800	4,800	4,800
	County Annuity	7,230	7,625	7,853	7,853	7,853	7,853
	<b>SALARIES &amp; BENEFITS</b>	<b>214,540</b>	<b>211,590</b>	<b>214,465</b>	<b>240,465</b>	<b>240,865</b>	<b>275,211</b>
5191	Outside Printing (other special printing)	170	500	1,000	1,000	1,000	1,000
5193	General Office Supplies	500	500	500	500	500	500
5196	Photocopy - in-house copier	500	500	500	500	500	500
5197	Postage & Mailing Service	1,481	1,110	1,500	1,500	1,500	1,500
5212	Computer Equipment under \$5,000	1,386	-	-	-	-	-
5331	Memberships (CALAFCo/CSDA new in 0809)	5,939	6,069	6,188	6,188	6,188	6,188
5341	Legal Advertising	566	1,500	1,500	1,500	900	1,500
5712	Mileage Allowance	0	250	250	250	250	250
5721	Meetings & Conferences	3,953	6,000	6,000	6,000	6,000	8,000
5733	Training	275	250	250	250	0	250
5810	Fiscal Office Specialist	988	988	988	988	988	988
5218	Corovan Records Storage (new 09/10)	140	200	200	200	200	200
5848	Graphics	950	4,500	4,500	4,500	4,500	4,500
5856	Consulting			50,000	50,000	50,000	50,000
5962	Admin Asst. Shared with Parks.	11,030	25,000	25,000	8,000	8,000	0
5861	GIS Mapping	0	2,500	2,500	2,500	2,500	2,500
5872	Controller Admin**	1,760	2,440	2,440	2,440	2,440	2,440
6712	Telephone	620	670	670	670	670	670
6713	ISD (Automation Services)	4,462	4,650	4,650	4,650	4,650	4,650
6714	Rent	2,703	2,703	2,703	2,703	2,703	2,703
6722	Copy Center Charges	0	0	0	0	0	0
6725	Gen'l Liability & bond ins.	4,208	4,229	4,229	4,229	4,229	4,229
6732	County Counsel	4,752	30,000	30,000	21,000	15,000	30,000
6821	A 87 Charges	7,447	-2,636	3,389	3,389	3,389	4,135
	<b>Subtotal Appropriations</b>	<b>268,370</b>	<b>303,513</b>	<b>363,422</b>	<b>363,422</b>	<b>356,972</b>	<b>401,914</b>
8612	Reserve 3%		9,105	10,903	10,903	0	12,057
	<b>one time reserve (excess fund balance)</b>		10,533	38,449	38,449	0	10,000
	<b>Total Appropriations Budget</b>	<b>\$268,370</b>	<b>\$323,151</b>	<b>\$412,774</b>	<b>\$412,774</b>	<b>\$356,972</b>	<b>\$423,971</b>
	<b>Revenues</b>						
	Fund Balance (Actual revenues over expend)	79,097	66,176	91,865	91,865	91,865	55,802
	Application Fees	24,437	25,000	25,000	25,000	25,000	30,000
***	<b>Intergov. Revenue</b>	<b>231,012</b>	<b>231,975</b>	<b>295,909</b>	<b>295,909</b>	<b>295,909</b>	<b>338,169</b>
	<b>Total Revenues</b>	<b>\$334,546</b>	<b>\$323,151</b>	<b>\$412,774</b>	<b>\$412,774</b>	<b>\$412,774</b>	<b>\$423,971</b>
	<b>One-third apportionment</b>	<b>\$77,004</b>	<b>\$77,325</b>	<b>\$98,636</b>	<b>\$98,636</b>	<b>\$98,636</b>	<b>\$112,723</b>

\*\*\*Appropriation less revenues & fund balance also the Net Operating Budget. Apportioned in thirds to county, cities & special districts (cities/districts based on proportional revenues)